

MOODY'S UPGRADES TO A1 FROM A2 THE RATING ON BENTON COUNTY'S (MN) \$18.9 MILLION OF OUTSTANDING GO DEBT

ASSIGNS A1 RATING TO BENTON COUNTY'S (MN) \$4.3 MILLION GO BONDS, SERIES 2008A

Benton (County of) MN
County
Minnesota

Moody's Rating

Issue	Rating
General Obligation Bonds, Series 2008A	A1
Sale Amount	\$4,280,000
Expected Sale Date	06/02/08
Rating Description	General Obligation Unlimited Tax

NEW YORK, May 30, 2008 -- Moody's Investors Service has assigned an A1 rating to Benton County's (MN) \$4.3 million General Obligation Bonds, Series 2008A. Concurrently, Moody's has upgraded to A1 from A2 the rating on the county's outstanding general obligation debt. Benton County has \$18.9 million in total general obligation debt, including the current offering. Proceeds from the current issue will finance road reconstruction projects and right-of-way acquisition. The bonds are secured by the county's general obligation unlimited tax pledge, and debt service is to be paid with property taxes. The A1 rating assignment and upgrade reflect the county's rapidly growing tax base that benefits from its proximity to St. Cloud (general obligation rated Aa3); well-managed financial operations supported by substantial reserves; and above average but manageable debt burden.

RAPIDLY GROWING TAX BASE BENEFITS FROM PROXIMITY TO ST. CLOUD

Moody's expects the county's tax base to continue to grow, due to its favorable location just east of St. Cloud, as well as the availability of land for development in the county. Located approximately 70 miles northwest of the Twin Cities, Benton County's \$3.6 billion tax base has grown at a rapid pace: full value increased at an average annual rate of 11% between 2002 and 2007. Officials report that residential development is the primary driver of tax base growth, as new residents are attracted to affordable homes within commuting distance to employment centers in the cities of St. Cloud, Sauk Rapids (A2), and Sartell (A2). The St. Cloud area benefits from the presence of St. Cloud State University (Aa3/stable outlook), as well as increasing health care employment opportunities in St. Cloud and Sartell. Commercial development is also occurring, particularly in Sauk Rapids, the county's largest city. Mirroring the increase in tax base valuation is the county's population growth. The county's current estimated population of 38,688 is nearly double that of 1970. Despite a recent slowdown in new housing construction, officials expect population growth to continue and report that the State of Minnesota projects that the county's population will increase by 23% by 2015. Wealth indices are relatively low: 1999 per capita and median family income levels are 82% and 90% of the state, respectively.

WELL-MANAGED FINANCIAL OPERATIONS SUPPORTED BY SUBSTANTIAL RESERVES

Moody's expects the county's financial operations to remain sound, supported by conservative management and substantial reserves. After several years of General Fund operating deficits, the county closed fiscal 2004, fiscal 2005, and fiscal 2006 with General Fund operating surpluses. Officials report that the past deficits were due in part to the use of reserves to meet general operating expenses. Officials report that the county now avoids using reserves to fund ongoing operations and strives to maintain a minimum General Fund balance of 35% to 50% of operating revenues. County officials

maintain written reserve policies for the General Fund, Human Services Fund, and Road and Bridge Fund. The General Fund balance has grown from \$3.6 million in fiscal 2003 to \$6.5 million in fiscal 2006. The fiscal 2006 General Fund balance represents 49% of General Fund revenues, which is lower than the median of 60% for Minnesota counties but still provides ample financial cushioning. Although audited financial results are not yet available, management reports that the county's General Fund balance increased by approximately \$1.3 million (on a cash basis) in fiscal 2007.

The county's top two revenue sources are property taxes and state aid. Property tax levy limits were recently reinstated for Minnesota counties for the next three years, but county officials do not expect the limits to have an adverse affect on county finances. Tax levy increases will be limited to 3.9% annually, plus new growth, with exemptions for certain expenditures. Favorably, Benton County has reduced its vulnerability to state budgetary pressures on intergovernmental aid. When state aid to local governments was reduced in 2003 and 2004, the county implemented a number of expenditure cuts, including a hiring freeze, to maintain balanced operations. The state has since increased aid to the county, but officials report that the county uses state aid for one-time capital needs, rather than ongoing operations, in order to protect against possible future cuts.

ABOVE AVERAGE BUT MANAGEABLE DEBT BURDEN

Despite an above average overall debt burden, Moody's believes the county's debt levels will remain affordable, given expectations for continued tax base growth, rapid principal amortization, and limited future borrowing plans. At 0.5%, the county's direct debt position approximates the median for Minnesota counties, but the overall debt burden of 3.7% exceeds state and national medians. The majority of the county's overlapping debt is due to borrowing by Sauk Rapids Independent School District No. 47. The rate of the county's direct debt retirement is aggressive, with 78% of principal amortized in ten years. County officials report no future debt plans in the next one to two years.

KEY STATISTICS

2000 census population: 34,226 (a 13% increase from 1990)

2008 estimated population: 38,688 (a 13% increase from 2000)

2007 full value: \$3.6 billion

2007 full value per capita: \$94,018

1999 per capita income: \$19,008 (88% of US)

1999 median family income: \$51,277 (103% of US)

2000 median home value: \$99,100 (83% of US)

Fiscal 2006 General Fund balance: \$6.5 million (49% of General Fund revenues)

Direct debt burden: 0.5%

Overall debt burden: 3.7%

Principal amortization (10 years): 78%

Post sale general obligation debt outstanding: \$18.9 million

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